

Cedar Bluff Utilities, Inc.
Utility Exhibit One
Financial Statements

Cherry Hill Water Company

Schedule A

BALANCE SHEET

December 31, 2002

ASSETS

Plant In Service-Water	189,927	
Accumulated Depreciation-Water	10,386	
Net Utility Plant	\$ <u>179,541</u>	
Construction Work In Process-Water	0	
Current Assets		
Cash	0	
Accounts Receivable - Net	19,959	
Inventory	<u>242</u>	
Total	\$ <u>20,201</u>	
Deferred Charges	6,929	
TOTAL ASSETS	\$ <u><u>206,671</u></u>	

LIABILITIES AND OTHER CREDITS

Capital Stock and Retained Earnings		
Common Stock and Paid In Capital	\$	80,373
Retained Earnings		120,355
Total	\$	<u>200,728</u>
Current and Accrued Liabilities		
Accounts Payable-Trade		0
Taxes Accrued		2,846
Customer Deposits		0
Customer Deposits - Interest		0
A/P - Assoc. Companies		(185,611)
Total	\$	<u>(182,765)</u>
Contributions In Aid of Construction-Water		3,299
Advances from UI		167,636
Accumulated Deferred Income Tax		
Unamortized ITC		8,593
Deferred Tax - Federal		7,932
Deferred Tax - State		1,247
Total	\$	<u>17,772</u>
TOTAL LIABILITIES AND OTHER CREDITS	\$	<u><u>206,671</u></u>

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<u>Operating Revenues</u>					
Service Revenues - Water	88,662		88,662	13,500 [a]	102,162
Miscellaneous Revenues	392		392		392
Uncollectible Accounts	(95)		(95)	(15) [b]	(110)
Total Operating Revenues	88,959	0	88,959	13,485	102,444
<u>Maintenance Expenses</u>					
Salaries and Wages	10,817	325 [c]	11,142		11,142
Purchased Power	7,753		7,753		7,753
Meter Reading	466	933 [d]	1,399		1,399
Maintenance and Repair	19,883		19,883		19,883
Maintenance Testing	1,678		1,678		1,678
Chemicals	421		421		421
Transportation	914		914		914
Operating Exp. Charged to Plant	(290)		(290)		(290)
Outside Services - Other	609		609		609
Total	42,252	1,257	43,510	0	43,510
<u>General Expenses</u>					
Salaries and Wages	3,966	119 [c]	4,085		4,085
Office Supplies & Other Office Exp.	1,181	1,118 [e]	2,299		2,299
Regulatory Commission Exp.	0	1,575 [f]	1,575		1,575
Pension & Other Benefits	3,318	2,375 [g]	5,692		5,692
Rent	85		85		85
Insurance	3,562	1,314 [h]	4,876		4,876
Office Utilities	301		301		301
Miscellaneous	221		221		221
WSC Allocation Increase	0	187 [i]	187		187
Total	12,633	6,688	19,321	0	19,321
Depreciation	3,974	1,367 [j]	5,341		5,341
Taxes Other Than Income	10,931	43 [k]	10,973	41 [x]	11,014
Income Taxes - Federal	4,049	(3,207) [l]	842	4,343 [l]	5,184
Income Taxes - State	1,038	(908) [l]	130	672 [l]	803
Amortization of CIAC	(85)		(85)		(85)
Total	19,907	(2,706)	17,201	5,055	22,257
Total Operating Expenses	74,792	5,239	80,032	5,055	85,087
Net Operating Income	\$ 14,166	\$ (5,239)	\$ 8,927	\$ 8,430	\$ 17,357
Interest During Construction	0		0		0
Interest on Debt	6,394	900 [m]	7,293		7,293
Net Income	\$ 7,773	\$ (6,139)	\$ 1,634	\$ 8,430	\$ 10,064

- [a] Revenues are annualized at proposed rates using the average test year customers.
- [b] Uncollectible Accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro-forma proposed revenues.
- [c] Salaries and Wages are adjusted by a 3% increase to represent anticipated raises that will be initiated by year-end.
- [d] Meter Reading Expense has been adjusted to reflect the increased number of meter readings required if the Company utilizes a monthly billing cycle as compared to a quarterly billing cycle. This adjustment was determined by taking the average of the quarterly bills in the test year and multiplying by 12 months.
- [e] Office Supplies and Other Office Expenses have been increased to account for the increase in bank charges, postage, and office supplies due to a change from a quarterly billing cycle to a monthly billing cycle.
- [f] Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 3 years. This adjustment does not include the expense of a cost of capital witness as the Utility does not anticipate using one. However, the Utility reserves the right to use a cost of capital witness and will be requesting actual rate case expense at the time of the hearing in the form of a late filed exhibit.
- [g] Pension and Other Benefits have been adjusted to reflect the rising costs of health insurance and the 3% increase in Salaries and Wages.
- [h] Insurance is adjusted by a 36.88% increase to represent the anticipated increase in costs of Automobile, Workers' Compensation, and Property Insurance.
- [i] An adjustment for an increase in the expenses allocated by Water Service Corp. reflects the increase in Common Expenses and Computer Related Expenses incurred between the test year and the prior year. The Company anticipates a similar increase in allocated expenses at year-end.
- [j] Depreciation Expense has been adjusted to reflect the additional expense incurred to change from the composite method of calculating depreciation to the class-of-asset method. This change in calculation methods is consistent with Commission practice in prior rate proceedings.
- [k] Taxes Other than Income is adjusted for annualized Utility Commission Taxes and Gross Receipts Taxes and for the 3% increase in Payroll Taxes due to the 3% increase in Salaries and Wages.
- [l] Income Taxes are computed on taxable income at current rates.
- [m] Interest on Debt has been computed using a 45.69%/54.31% debt/equity ratio and a 8.64% cost of debt.

Effect of Proposed Increase	Proposed Increase	As Adjusted	Pro Forma Adjustments	Per Books	Rate Base and Rate of Return
\$ 17,357	\$ 8,430	\$ 8,927	\$ (5,239)	\$ 14,156	Net Operating Income
\$ 189,927		\$ 189,927		\$ 189,927	Gross Plant In Service
(10,385)		(10,385)	0	(10,385)	Accumulated Depreciation
179,541		179,541	0	179,541	Net Plant In Service
9,225		9,225	998 [a]	8,227	Cash Working Capital
(13,299)		(13,299)		(13,299)	Contributions In Aid of Construction
(9,179)		(9,179)		(9,179)	Accumulated Deferred Income Taxes
0		0		0	Customer Deposits
0		0		0	Plant Acquisition Adjustment
8,549		8,549		8,549	Water Service Corporation
0		0		0	Pro Forma Plant
\$ 184,836	\$ 0	\$ 184,836	\$ 998	\$ 183,838	Total Rate Base
9.33%		4.83%		7.71%	Return on Rate Base

[a] Working Capital is calculated based on pro forma expenses.

Cherry Hill Water Company

Schedule D

Consumption Analysis 1/1/02 - 12/31/02

TEST YEAR / PRESENT REVENUES

WATER

<u>Bill code</u>	<u>Gallonage</u>	<u>Usage Charge</u>	<u>Units</u>	<u>Quarterly BFC</u>	<u>Revenues</u>
<u>All Subs:</u>					
02201	15,181,928	\$4.24	929	\$ 18.00	\$ 81,093
02213	1,779,080	\$4.24	4	\$ 51.45	\$ 7,749
Total	<u>16,961,008</u>		<u>933</u>		<u>\$ 88,842</u>

per t/b	\$	88,662
difference \$	\$	180
difference %		0.20%

Cherry Hill Water Company
Consumption Analysis 1/1/02 - 12/31/02
PROPOSED REVENUES

Schedule #

WATER

<u>Bill code</u>	<u>Gallonage</u>	<u>Usage Charge</u>	<u>Units</u>	<u>Monthly BFC</u>	<u>Revenues</u>
<u>All Subs:</u>					
02201	15,181,928	\$4.74	2,778	\$ 7.75	\$ 93,463
02213	1,779,080	\$4.74	12	\$ 22.50	\$ 8,699
Total	<u>16,961,008</u>		<u>2,790</u>		<u>\$ 102,162</u>

Difference	\$ 13,500
% Increase	15.23%